

BEFORE THE
ILLINOIS COMMERCE COMMISSION

VERIZON NORTH, INC., and) DOCKET NO.
VERIZON SOUTH, INC.) 00-0812
)
Petition seeking approval of Cost)
Studies for Unbundled Network)
Elements, Avoided Costs and)
Intrastate Switched Access Services.)

Springfield, Illinois
April 14, 2004

Met, pursuant to notice, at 9:30 A.M.

BEFORE:

MR. MICHAEL WALLACE, Administrative Law Judge

APPEARANCES:

MR. MICHAEL GUERRA
Sonnenschein, Nath & Rosenthal
8000 Sears Tower
233 South Wacker Drive
Chicago, Illinois 60606

(Appearing on behalf of Verizon North,
Inc., and Verizon South, Inc., via
teleconference)

SULLIVAN REPORTING COMPANY, by
Carla J. Boehl, Reporter
Ln. #084-002710

APPEARANCES:

(Cont'd)

MR. JOSEPH D. MURPHY
306 West Church Street
Champaign, Illinois 61820

(Appearing on behalf of IRCA via
teleconference)

MR. DARRELL TOWNSLEY
205 North Michigan Avenue, Suite 3700
Chicago, Illinois 60601

(Appearing on behalf of Worldcom,
Incorporated, via teleconference)

MR. ARTHUR LE VASSEUR
Fischer, Franklin & Ford
500 Griswold Street
Detroit, Michigan 48226

(Appearing on behalf of AT&T
Communications of Illinois, Inc., via
teleconference)

MR. MATTHEW L. HARVEY
160 North LaSalle Street, Suite C-800
Chicago, Illinois 60601

(Appearing on behalf of Staff of the
Illinois Commerce Commission via
teleconference)

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WITNESSES

DIRECT CROSS REDIRECT RECROSS

None.

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EXHIBITS

MARKED

ADMITTED

None.

PROCEEDINGS

JUDGE WALLACE: Pursuant to the direction of the Illinois Commerce Commission, I now call Docket 00-0812. This is the petition of Verizon North, Inc., and Verizon South, Inc., seeking approval of cost studies for unbundled network elements, avoided costs and intrastate switched access services.

May I have appearances for the record, please. Let's start with the petitioner.

MR. GUERRA: On behalf of Verizon North, Inc., Michael Guerra of the law firm of Sonnenschein, Nath and Rosenthal, 8000 Sears Tower, Chicago, Illinois 60606. Also Randy Vogelzang from Verizon at 600 Hidden Ridge, Irving, Texas.

JUDGE WALLACE: Would you spell your last name, please, Mr. Vogelzang?

MR. VOGELZANG: Yeah, V as in Victor, O-G-E-L-Z as in Zebra, A-N-G.

JUDGE WALLACE: All right. Staff?

MR. HARVEY: Appearing for the Staff of the Illinois Commerce Commission, Matthew L. Harvey, H-A-R-V-E-Y, 160 North LaSalle Street, Suite C-800,

1 Chicago, Illinois 60601-3104. I understand that
2 present in Springfield are Doug Price and a number
3 of other staff members, perhaps.

4 JUDGE WALLACE: Number one, Robert Koch.

5 All right. Now Intervenors that are on the
6 telephone.

7 MR. TOWNSLEY: Appearing on behalf of Worldcom,
8 Inc., d/b/a MCI, Darrell, D-A-R-R-E-L-L, Townsley,
9 T-O-W-N-S-L-E-Y, 205 North Michigan Avenue, Suite
10 3700, Chicago, Illinois 60601.

11 MR. MURPHY: On behalf of the Illinois Rural
12 Competitive Alliance, Joseph Murphy, 306 West Church
13 Street, Champaign, Illinois 61820, telephone (217)
14 352-0030.

15 JUDGE WALLACE: All right. Any other
16 Intervenors on?

17 MR. LE VASSEUR: Yes, Arthur LeVasseur,
18 Fischer, Franklin and Ford on behalf of AT&T.

19 JUDGE WALLACE: Would you spell your last name?

20 MR. LE VASSEUR: L-E capital V-A-S-S-E-U-R.

21 JUDGE WALLACE: And are there any other
22 appearances? All right. Let the record reflect

1 there are no other appearances.

2 I called the status hearing today because,
3 as you know, I have taken this case over from Judge
4 Woods who has retired from this and it is too bad he
5 didn't stay around and finish it because everyone
6 has succeeded in confusing the ALJ. Judge Woods had
7 left some notes and that was the result of the
8 second round of supplemental briefs that the
9 Commission requested.

10 After reading the second supplemental
11 briefs and replies, I am kind of left in a quandary
12 as to how to proceed with this. Judge Woods did
13 leave an interim order which was presented to the
14 Commission several weeks ago so that I think
15 everyone has seen the proposed order that went out.
16 Obviously, haven't seen the interim order because it
17 wasn't passed. I think we will go off the record
18 for just a few minutes.

19 (Whereupon there was
20 then had an
21 off-the-record
22 discussion.)

1 JUDGE WOODS: Let's go back on the record. We
2 have been talking off the record for quite a while.
3 The ALJ brought up two issues and just for the
4 record I will put those in, that the ALJ had a
5 question concerning what we have called the proposed
6 interim order or what we have used throughout this
7 case as the ICM and that is a cost model that has
8 been litigated in this case up to what we are also
9 calling Phase 1.

10 In the second supplemental round of briefs
11 in response to a question from the ALJ concerning
12 certain actions of the FCC, it was mentioned that
13 Verizon now uses a web-based model called VZ cost,
14 that's V-Z cost, so my question was concerning the
15 ICM vis-a-vis the VZ cost.

16 And my second question was it had been
17 raised by one of the parties whether or not we might
18 put this on hold and wait to see what the FCC does
19 in terms of coming up with its rulemaking that's out
20 there concerning, I guess, forward-looking costs.

21 To sum up, the parties are not -- do not
22 see any reason to postpone this so we will forge

1 ahead. There is also no agreement on the cost model
2 or any alterations of prior positions, so to speak.
3 So I will take all this and try to take something
4 back to the Commission.

5 Do any of the parties have anything that
6 they wish to say on the record at this point?

7 MR. MURPHY: This is Joe Murphy on behalf of
8 IRCA, I think it is IRCA's position that given
9 Verizon's statements that ICM is no longer being
10 supported, that any attempt to move ahead with the
11 ICM cost model is going to end up being made
12 conditional in that certain changes may be asked for
13 or ordered that Verizon says it cannot deal with.
14 And, therefore, IRCA would strongly recommend that
15 we move ahead to the VZ cost model, and that the
16 appropriate way to handle the delay that would occur
17 in this docket to date are to use the FCC's interim
18 pricing methods and then move ahead with the VZ cost
19 as quickly as we can.

20 MR. TOWNSLEY: Your Honor, this is Darrell
21 Townsley on behalf of MCI. I just want to echo
22 everything that Mr. Murphy has stated for the record

1 and just emphasize our concern that we get to the
2 end of this proceeding. Should it move forward with
3 the ICM and the Commission orders changes to the ICM
4 that Verizon would then say it cannot make, that
5 would put us in an untenable position, and I would
6 also echo Mr. Murphy's recommendation that the
7 interim rates which come from the FCC's TELRIC rules
8 be put in place in the interim while we litigate
9 what the appropriate TELRIC rates are going forward,
10 so that CLECs would have the ability to actually
11 enter Verizon territory and have some rates that
12 they would be able to use to do that.

13 MR. LE VASSEUR: This is Art Le Vasseur on
14 behalf of AT&T. I would just like to make it clear
15 that the Phase 1 issues that have been litigated, I
16 should say what was the scope of Phase 1, became the
17 subject of extensive disputes between the parties.
18 And in an attempt to move forward in Phase 1, a
19 stipulation was entered into I believe as part of
20 the Commission listing a whole bunch of issues that
21 AT&T believed were really modeling issues, but
22 Verizon took the position that it need not be

1 addressed in Phase 1, that it could be deferred to
2 Phase 2, and therefore I don't want anybody to now
3 if we go forward with Phase 2 be suggesting that
4 that's an issue that should have been litigated in
5 Phase 1. Because that was our position that it
6 should have been, and everybody -- or I should say
7 everybody but Verizon -- was suggesting it should be
8 in Phase 2. I don't think that one can evaluate the
9 model in a vacuum and that was part of the problems
10 we had with Phase 1. So in the context of Phase 2 I
11 want to make it clear that it is AT&T's position
12 that ICM has not been fully evaluated because in the
13 absence of an evaluation of both the inputs and the
14 algorithms, you really can't decide whether it
15 should be accepted or not. So I don't want anybody
16 to be misled that it is our position that ICM is
17 part of Phase 2 in terms of whether it should be
18 used at all.

19 MR. HARVEY: The Staff at this point would
20 merely express a degree of concern that a model
21 exists that in use in other states that more
22 accurately estimates TELRIC costs than the model

1 Verizon has submitted for use in this state, and
2 that if that is the case, the Staff should be
3 somewhat apprised of these facts --

4 JUDGE WALLACE: You faded out, Mr. Harvey.

5 MR. HARVEY: I apologize, Judge. I will try to
6 bellow more loudly. That Staff believes that the
7 Commission at the very least ought to be apprised of
8 the fact that Verizon has developed a model that it
9 appears to consider to be more appropriate or
10 more -- to ever greater utility in estimating TELRIC
11 costs but has elected to stand by its existing model
12 in Illinois.

13 MR. GUERRA: Judge, Mike Guerra here. A couple
14 things, one on the issue that we no longer support
15 ICM, that's just not accurate. Mr. Vogelzang stated
16 ICM is used in other states. The VZ costs, we feel
17 it is inappropriate to relitigate Phase 1. And
18 Phase 1 in our opinion, forget what was modeling and
19 input, issues decided in Phase 1 are issues that if
20 we have to sit there and relitigate doesn't make
21 sense to go through with ICM. That's our point with
22 respect to VZ costs.

1 Again, we stand prepared to move into Phase
2 2 and hopefully we can expedite the proceeding and
3 get revised UNE rates in place as soon as possible.

4 JUDGE WALLACE: Okay. We will thank you for
5 your statements and thank you for your time this
6 morning. I suppose sometime in the future I will
7 pick all this up. We will -- like I said, I will
8 take recommendations back to the Commission in the
9 near future and for the time being we will continue
10 this generally and we will see everybody back in
11 Phase 2. Thank you very much.

12 (Whereupon the hearing
13 in this matter was
14 continued generally.)

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